

S P SETIA BERHAD
Company No: 19698-X
(Incorporated in Malaysia)

Interim Financial Report
30 September 2017

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(Incorporated in Malaysia)

Interim Financial Report - 30 September 2017

	Page No.
Condensed Consolidated Statement Of Financial Position	1
Condensed Consolidated Statement Of Comprehensive Income	2
Condensed Consolidated Statement Of Changes In Equity	3
Condensed Consolidated Statement Of Cash Flows	4-5
Notes to the Interim Financial Report	6-10
Additional Information Required by the Listing Requirements of Bursa Malaysia Securities Berhad	11-21

S P SETIA BERHAD
 (Company No: 19698-X)
 (Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017
(The figures have not been audited)

	(UNAUDITED) As At 30/09/2017 RM'000	(AUDITED) As At 31/12/2016 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	313,997	271,508
Investment Properties	1,143,827	1,015,951
Land Held for Property Development	7,307,646	5,579,638
Intangible Asset	13,383	11,633
Investments in Associated Companies	98,866	121,873
Investments in Jointly Controlled Entities	2,082,185	1,677,723
Deferred Tax Assets	205,328	165,485
	<u>11,165,232</u>	<u>8,843,811</u>
Current Assets		
Property Development Costs	1,920,165	2,105,675
Inventories	1,009,366	877,905
Trade and Other Receivables	1,713,589	1,925,326
Gross Amount Due from Customers	7,375	3,825
Amounts Owing by Jointly Controlled Entities	584,907	633,669
Amounts Owing by Associated Companies	220	138
Current Tax Assets	171,023	129,464
Short-Term Deposits	1,971,044	2,704,840
Cash and Bank Balances	1,127,478	1,465,287
	<u>8,505,167</u>	<u>9,846,129</u>
TOTAL ASSETS	<u>19,670,399</u>	<u>18,689,940</u>
EQUITY AND LIABILITIES		
EQUITY		
Share Capital	5,546,426	2,140,140
Share Capital - RCPS-i A	1,126,378	11,276
Reserves		
Share Premium	-	2,945,523
Share Premium - RCPS-i A	-	1,115,632
Share Based Payment Reserve	43,571	65,316
Exchange Translation Reserve	269,243	204,486
Retained Earnings	2,713,341	2,718,191
Equity Attributable to Owners of the Company	<u>9,698,959</u>	<u>9,200,564</u>
Perpetual Bond	619,821	610,787
Non-controlling Interests	457,625	431,730
Total Equity	<u>10,776,405</u>	<u>10,243,081</u>
LIABILITIES		
Non-Current Liabilities		
Redeemable Cumulative Preference Shares	54,346	53,513
Other Payables	40,000	40,000
Long Term Borrowings	4,903,680	3,798,538
Deferred Tax Liabilities	17,881	13,114
	<u>5,015,907</u>	<u>3,905,165</u>
Current Liabilities		
Gross Amount Due to Customers	2,373	5,707
Trade and Other Payables	1,564,205	1,945,773
Provision for Affordable Housing	448,354	504,258
Short Term Borrowings	1,771,888	1,973,771
Current Tax Liabilities	91,267	112,185
	<u>3,878,087</u>	<u>4,541,694</u>
Total Liabilities	<u>8,893,994</u>	<u>8,446,859</u>
TOTAL EQUITY AND LIABILITIES	<u>19,670,399</u>	<u>18,689,940</u>
Net Assets Per Share Attributable to Owners of the Company (RM)	<u>2.87</u>	<u>2.83</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes in this report.)

S P SETIA BERHAD
 (Company No.: 19698-X)
 (Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017
(The figures have not been audited)

	3 MONTHS ENDED		9 MONTHS ENDED	
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Revenue	842,490	1,263,607	2,577,394	3,185,366
Cost of sales	(553,890)	(932,187)	(1,814,590)	(2,298,807)
Gross profit	<u>288,600</u>	<u>331,420</u>	<u>762,804</u>	<u>886,559</u>
Other income	54,778	64,617	152,625	192,563
Selling and marketing expenses	(55,476)	(31,852)	(137,304)	(98,726)
Administrative and general expenses	(79,237)	(55,189)	(208,808)	(176,263)
Share of results of jointly controlled entities	147,558	(15,145)	220,739	(58,689)
Share of results of associated companies	(10,110)	593	(20,868)	686
Finance costs	(36,691)	(34,004)	(101,516)	(88,695)
Profit before tax	<u>309,422</u>	<u>260,440</u>	<u>667,672</u>	<u>657,435</u>
Tax expense	(30,121)	(106,694)	(114,011)	(220,827)
Profit for the period	<u>279,301</u>	<u>153,746</u>	<u>553,661</u>	<u>436,608</u>
Other comprehensive income, net of tax:				
Item that may be reclassified to profit or loss in subsequent periods:				
- Exchange differences on translation of foreign operations	27,233	33,850	64,663	(215,252)
Total comprehensive income for the period	<u>306,534</u>	<u>187,596</u>	<u>618,324</u>	<u>221,356</u>
Profit attributable to:				
Holders of Perpetual Bond	9,133	9,133	27,102	27,201
Non-controlling interests	16,951	10,548	31,839	26,172
	<u>26,084</u>	<u>19,681</u>	<u>58,941</u>	<u>53,373</u>
Owners of the Company	<u>253,217</u>	<u>134,065</u>	<u>494,720</u>	<u>383,235</u>
	<u>279,301</u>	<u>153,746</u>	<u>553,661</u>	<u>436,608</u>
Total comprehensive income attributable to:				
Holders of Perpetual Bond	9,133	9,133	27,102	27,201
Non-controlling interests	16,931	10,755	31,745	25,825
	<u>26,064</u>	<u>19,888</u>	<u>58,847</u>	<u>53,026</u>
Owners of the Company	<u>280,470</u>	<u>167,708</u>	<u>559,477</u>	<u>168,330</u>
	<u>306,534</u>	<u>187,596</u>	<u>618,324</u>	<u>221,356</u>
Earnings per share attributable to equity holders of the Company				
- Basic earnings per share (sen)	<u>7.11</u>	<u>4.88</u>	<u>15.64</u>	<u>14.36</u>
- Diluted earnings per share (sen)	<u>6.33</u>	<u>4.84</u>	<u>13.87</u>	<u>14.26</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes in this report.)

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017
(The figures have not been audited)

	← Attributable to owners of the Company →										
	← Non-Distributable →						Distributable				
	Share Capital RM'000	Share Capital - RCPS-i A RM'000	Share Premium RM'000	Share Premium - RCPS-i A RM'000	Share Based Payment Reserve RM'000	Exchange Translation Reserve RM'000	Retained Earnings RM'000	Total RM'000	Perpetual Bond RM'000	Non-controlling interests RM'000	Total Equity RM'000
Balance at 01.01.2017	2,140,140	11,276	2,945,523	1,115,632	65,316	204,486	2,718,191	9,200,564	610,787	431,730	10,243,081
Total other comprehensive income for the period represented by exchange differences on translation of foreign operations	-	-	-	-	-	64,757	-	64,757	-	(94)	64,663
Profit for the period	-	-	-	-	-	-	494,720	494,720	-	31,839	526,559
Distribution for the period	-	-	-	-	-	-	-	-	27,102	-	27,102
Distribution paid	-	-	-	-	-	-	-	-	(18,068)	-	(18,068)
Transactions with owners:											
Issuance of ordinary shares											
- Dividend Reinvestment Plan ("DRP")	407,291	-	-	-	-	-	-	407,291	-	-	407,291
- Exercise of Employee Share Grant Plan ("ESGP")	46,350	-	-	-	(46,350)	-	-	-	-	-	-
- Exercise of Employee Share Option Scheme ("ESOS")	7,306	-	38	-	(1,090)	-	-	6,254	-	-	6,254
Share issuance expense	(222)	(479)	-	(51)	-	-	-	(752)	-	-	(752)
RCPS-i A preferential dividends paid	-	-	-	-	-	-	(42,737)	(42,737)	-	-	(42,737)
Dividends paid	-	-	-	-	-	-	(456,833)	(456,833)	-	(5,850)	(462,683)
Share-based payment under Employees' Long Term Incentive Plan ("LTIP")	-	-	-	-	25,695	-	-	25,695	-	-	25,695
Transition to no par value regime ⁽¹⁾	2,945,561	1,115,581	(2,945,561)	(1,115,581)	-	-	-	-	-	-	-
Balance at 30.09.2017	5,546,426	1,126,378	-	-	43,571	269,243	2,713,341	9,698,959	619,821	457,625	10,776,405
Balance at 01.01.2016	1,971,266	-	2,496,683	-	63,037	341,343	2,522,315	7,394,644	610,787	387,008	8,392,439
Total other comprehensive income for the period represented by exchange differences on translation of foreign operations	-	-	-	-	-	(214,905)	-	(214,905)	-	(347)	(215,252)
Profit for the period	-	-	-	-	-	-	383,235	383,235	-	26,172	409,407
Distribution for the period	-	-	-	-	-	-	-	-	27,201	-	27,201
Distribution paid	-	-	-	-	-	-	-	-	(18,068)	-	(18,068)
Transactions with owners:											
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	(3,698)	(3,698)
- Dividend Reinvestment Plan ("DRP")	134,974	-	341,933	-	-	-	(499,416)	(22,509)	-	-	(22,509)
- Exercise of Employee Share Grant Plan ("ESGP")	6,847	-	21,444	-	(28,291)	-	-	-	-	-	-
- Exercise of Employee Share Option Scheme ("ESOS")	270	-	1,007	-	(187)	-	-	1,090	-	-	1,090
Share issuance expense	-	-	(166)	-	-	-	-	(166)	-	-	(166)
Share-based payment under Employees' Long Term Incentive Plan ("LTIP")	-	-	-	-	23,917	-	-	23,917	-	-	23,917
Balance at 30.09.2016	2,113,357	-	2,860,901	-	58,476	126,438	2,406,134	7,565,306	619,920	409,135	8,594,361

Note

⁽¹⁾ Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium becomes part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes in this report.)

S P SETIA BERHAD
 (Company No.: 19698-X)
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017
(The figures have not been audited)

	9 MONTHS ENDED	
	30/09/2017	30/09/2016
	RM'000	RM'000
Operating Activities		
Profit before tax	667,672	657,435
Adjustments for:-		
Non-cash items	(128,189)	34,384
Non-operating items	(4,293)	(13,142)
Operating profit before changes in working capital	<u>535,190</u>	<u>678,677</u>
Changes in property development costs	77,564	22,502
Changes in accrued billings/progress billings	345,212	(538,174)
Changes in gross amount due from/to customers	(4,360)	(4,923)
Changes in inventories	136,623	150,482
Changes in receivables	35,141	(70,159)
Changes in payables	(331,291)	(174,898)
Cash generated from operations	<u>794,079</u>	<u>63,507</u>
Rental received	2,518	1,098
Interest received	38,974	44,115
Interest paid	(184,346)	(194,367)
Tax paid	(213,384)	(354,189)
Net cash generated from/(used in) operating activities	<u>437,841</u>	<u>(439,836)</u>
Investing Activities		
Additions to land held for future development	(1,886,260)	(405,117)
Deposits paid in relation to development land	(50,598)	-
Deposits paid in relation to acquisition of I&P Group	(109,500)	-
Purchase of property, plant and equipment	(58,100)	(27,611)
Additions to investment properties	(119,583)	(208,496)
Proceeds from disposal of property, plant and equipment	263	1,004
Acquisition of additional shares in existing jointly controlled entities	(129,790)	(538,836)
Advances to jointly controlled entities	(9,344)	(18,622)
Advances to an associated company	(82)	(31)
Other investments	75,426	46,202
Net cash used in investing activities	<u>(2,287,568)</u>	<u>(1,151,507)</u>

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017
(The figures have not been audited)

	9 MONTHS ENDED	
	30/09/2017	30/09/2016
	RM'000	RM'000
Financing Activities		
Proceeds from issuance of ordinary shares pursuant to the exercise of ESOS	6,254	1,090
Payment of share issuance expenses	(752)	(166)
Repayment to non-controlling shareholders of a subsidiary company	(197)	(24,610)
Drawdown of bank borrowings	2,056,715	1,979,263
Repayment of bank borrowings	(1,138,997)	(1,282,181)
Perpetual bonds distribution paid	(18,068)	(18,068)
Interest paid	(293)	(588)
Redeemable cumulative preference share dividends paid to a non-controlling shareholder of a subsidiary company	(1,272)	(1,272)
Dividends paid to non-controlling interests	(5,850)	(3,698)
RCPS-i A preferential dividends paid	(42,737)	-
Dividends paid	(49,542)	(22,509)
Net cash generated from financing activities	<u>805,261</u>	<u>627,261</u>
Net changes in cash and cash equivalents	(1,044,466)	(964,082)
Effect of exchange rate changes	16,725	(2,202)
Cash and cash equivalents at beginning of the period	4,076,110	3,659,414
Cash and cash equivalents at end of the period	<u>3,048,369</u>	<u>2,693,130</u>
 Cash and cash equivalents comprise the following:		
Short-Term Deposits	1,971,044	1,624,679
Cash and Bank Balances	1,127,478	1,202,847
Bank Overdrafts	(18,867)	(98,807)
	<u>3,079,655</u>	<u>2,728,719</u>
Less: Sinking Fund, Debt Service Reserve and Escrow and Revenue Accounts	(31,286)	(35,589)
	<u>3,048,369</u>	<u>2,693,130</u>

(The Condensed Consolidated Statement Of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes in this report.)

NOTES TO THE INTERIM FINANCIAL REPORT**1. Basis of preparation**

The interim financial report has been prepared in accordance with Financial Reporting Standard (“FRS”) 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016.

The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the financial year ended 31 December 2016 except for the adoption of the following Amendments to FRSs:-

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to FRS 12	Annual Improvements to FRS Standards 2014-2016 Cycle

The adoption of the above Amendments to FRSs does not have any material impact on the financial statements of the Group.

2. Seasonal or cyclical factors

The business operations of the Group during the financial period under review have not been materially affected by any seasonal or cyclical factors.

3. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items for the financial period ended 30 September 2017.

4. Material changes in estimates

There were no material changes in estimates for the financial period ended 30 September 2017.

5. Debts and equity securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current financial period-to-date except for the following:

- (a) Allotment of 7,427,243 new ordinary shares pursuant to the vesting of Employee Share Grant Plan (“ESGP”);
- (b) Issuance of 2,084,550 new ordinary shares pursuant to the exercise of Employees’ Share Options Scheme (“ESOS”) at the following option prices; and

		ESOS 1	ESOS 3	ESOS 4	ESOS 5
Exercise price	(RM)	3.07	3.02	2.72	2.86
No. of shares issued	(‘000)	1,514	159	367	45

5. Debts and equity securities (continued)

- (c) Issuance of 123,421,658 new ordinary shares each pursuant to Dividend Reinvestment Plan (“7th DRP”) duly renewed at the price of RM3.30 per share.

6. Dividends paid

(a) Final dividend in respect of the financial year ended 31 December 2016

A single tier final dividend, in respect of the financial year ended 31 December 2016 of 16 sen per ordinary share amounting to RM456,833,594 was approved by the shareholders at the Annual General Meeting on 18 May 2017, and determined that 7th DRP shall apply to the entire final dividend.

Based on elections made by shareholders, a total of 123,421,658 new ordinary shares were issued at an issue price of RM3.30 per share and the remaining portion of RM49,542,123 was paid in cash on 19 July 2017.

(b) Islamic Redeemable Convertible Preference Shares (“RCPS-i A”) preferential dividend in respect of the financial period ended 30 June 2017 and additional one-off preferential dividend for the period from 2 December 2016 to 31 December 2016

On 17 August 2017, the Board of Directors had declared a preferential dividend of 6.49% per annum, payable semi-annually, in respect of the financial period ended 30 June 2017, for the RCPS-i A. In addition, the Board of Directors has declared an additional one-off preferential dividend of 6.49% per annum for the RCPS-i A for the period from 2 December 2016 (being the issue date of the RCPS-i A) to 31 December 2016.

A total of RM42,736,985 was paid in cash on 26 September 2017.

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(Incorporated in Malaysia)

8

7. Segmental Reporting

The segmental analysis for the financial period ended 30 September 2017 is as follows:-

	Property Development RM'000	Construction RM'000	Other Operations RM'000	Eliminations RM'000	Consolidated RM'000
<u>Revenue</u>					
External revenue	2,250,233	184,664	142,497	-	2,577,394
Inter-segment revenue	221,472	356,397	25,958	(603,827)	-
Total revenue	<u>2,471,705</u>	<u>541,061</u>	<u>168,455</u>	<u>(603,827)</u>	<u>2,577,394</u>
Gross profit	736,857	6,612	19,335	-	762,804
Other income	126,893	9,280	16,452	-	152,625
Operating expenses	(322,192)	(7,651)	(16,269)	-	(346,112)
Share of results of jointly controlled entities	219,926	-	813	-	220,739
Share of results of associated companies	(20,868)	-	-	-	(20,868)
Finance costs	(92,950)	(3)	(8,563)	-	(101,516)
Profit before tax	<u>647,666</u>	<u>8,238</u>	<u>11,768</u>	<u>-</u>	<u>667,672</u>
Tax expense					(114,011)
Profit for the period					<u>553,661</u>

8. Material Events subsequent to the End of Financial Period

There were no material transactions or events subsequent to the current quarter ended 30 September 2017 till 2 November 2017 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

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9

9. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter and financial period to-date except for the following:

- (a) Incorporation of a wholly-owned subsidiary company of S P Setia International (S) Pte. Ltd. by the name of Setia (Bukit Timah) Pte. Ltd. which is in turn a wholly-owned subsidiary of S P Setia Berhad (“S P Setia”) on 26 April 2017 with an issued and paid-up capital of SGD100 comprising 100 ordinary shares;
- (b) Deregistration of Qinzhou Development (Hong Kong) Limited, a wholly-owned subsidiary of Qinzhou Development (Malaysia) Consortium Sdn Bhd, which is in turn an inactive associate company of S P Setia on 11 May 2017;
- (c) Internal reorganisation of S P Setia Property Holdings Sdn Bhd (“S P Setia Property”), which was formerly a wholly-owned subsidiary of S P Setia, via disposal of S P Setia’s entire equity interest in S P Setia Property comprising 300,000 ordinary shares for a total cash consideration of RM300,000 to another wholly-owned subsidiary of S P Setia, Setia Ecohill Sdn Bhd on 11 May 2017;
- (d) Incorporation of a wholly-owned subsidiary company of Setia Australia Limited by the name of Setia A’Beckett (Melbourne) Pty Ltd which is in turn a wholly-owned subsidiary of S P Setia on 22 June 2017 with an issued and paid-up capital of AUD1 comprising 1 ordinary share;
- (e) Voluntarily winding up of inactive subsidiaries of S P Setia, namely Syarikat Kemajuan Jerai Sdn Bhd (“Syarikat Kemajuan Jerai”), Lagavest Sdn Bhd (“Lagavest”), Ambleside Sdn Bhd, Setia Duta One Sdn Bhd, Manih System Construction Sdn Bhd, Dian Mutiara Sdn Bhd, Kenari Kayangan Sdn Bhd, Cosmotek Sdn Bhd, S J Classic Land Sdn Bhd and S P Setia Estate Management Sdn Bhd as well as Setia Putrajaya Construction Sdn Bhd, an inactive jointly controlled entity of S P Setia on 6 July 2017. Thereafter, S P Setia Project Management Sdn Bhd, subsidiary of Syarikat Kemajuan Jerai as well as S P Setia Eco-Projects Management Sdn Bhd and Wawasan Indera Sdn Bhd, subsidiaries of Lagavest become the direct wholly-owned subsidiaries of S P Setia on 24 August 2017; and
- (f) Incorporation of a wholly-owned subsidiary company of S P Setia by the name of Setia Ventures Excellence Sdn Bhd on 5 September 2017 with an issued and paid-up capital of RM1 comprising 1 ordinary share.

10. Contingent Liabilities

There were no contingent liabilities in respect of the Group since the last financial period.

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(Incorporated in Malaysia)

10

11. Capital Commitments

	As at 30 Sep 2017 RM'000
<i>Commitments of subsidiary companies:-</i>	
Contractual commitments to purchase development land	770,137
Contractual commitments for construction of investment properties	170,872
Contractual commitments for construction and acquisition of property, plant and equipment	<u>227,694</u>
<i>Share of commitments of jointly controlled entities:-</i>	
Contractual commitments for construction of investment properties	<u>41,103</u>

12. Significant Related Party Transactions

	1 Jan 2017 to 30 Sep 2017 RM'000
<i>Transactions with jointly controlled entities:-</i>	
(i) Project management and administrative fee received and receivable	5,778
(ii) Project management and administrative fee paid and payable	180
(iii) Rental received and receivable	499
(iv) Rental paid and payable	25
(v) Construction services rendered	187,308
(vi) Staff secondment fee received and receivable	353
(vii) Interest received and receivable	16,282
(viii) Event services fee received and receivable	10
(ix) Purchase of property, plant and equipment	12,770
<i>Transactions with directors of the Company and subsidiary companies:-</i>	
(i) Sale of development properties to directors of the Company and their immediate family members	12,092
(ii) Sale of development properties to directors of subsidiary companies and their immediate family members	16,037
(iii) Clubhouse service charges to a director of subsidiary companies	13

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11

ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Group Performance

Revenue and profit before tax (“PBT”) of the respective operating business segments for the current quarter and financial period to-date are analysed as follows:-

	Q3 2017 RM'000	Q3 2016 RM'000	PTD 2017 RM'000	PTD 2016 RM'000
Revenue				
Property Development	747,469	1,153,615	2,250,233	2,856,233
Construction	43,853	76,515	184,664	199,898
Other Operations	51,168	33,477	142,497	129,235
	<u>842,490</u>	<u>1,263,607</u>	<u>2,577,394</u>	<u>3,185,366</u>
Profit before tax				
Property Development	305,341	242,858	647,666	578,143
Construction	1,035	3,587	8,238	11,086
Other Operations	3,046	13,995	11,768	68,206
	<u>309,422</u>	<u>260,440</u>	<u>667,672</u>	<u>657,435</u>

(a) Performance of the current quarter against the same quarter in the preceding year (Q3 FY2017 vs Q3 FY2016)

Property Development

We had many significant development phases of the Group completed and handed over prior to the current financial quarter, for example *Parque Melbourne* in Australia, the boutique offices and Vouge Suite One residential tower of *KL Eco City* at Jalan Bangsar, *Eco Sanctuary* luxury condominium in Singapore and our *Perumahan Penjawat Awam 1Malaysia (PPAIM)* project in Putrajaya. At the same time during the third quarter, we also have several substantially sold large development phases still at early stage of construction, for example, Phase 1 of *Setia Eco Templer* in Rawang, ViiA Residences at *KL Eco City* and *Setia EcoHill 2* in Semenyih. As a result, the overall revenue recognition from the Malaysian operation was transitionally lesser in the short term. This short term transitional effect was attributed to the strategic move taken by the Group in repositioning many launches in the last financial year to address changes in market demand. Nevertheless, it was mitigated by substantial staggered completion of Phase I of the *Battersea Power Station* project during the third quarter, which contributed significantly to the PBT of the Group.

Ongoing projects which contributed to the revenue and profit achieved include *Setia Alam* and *Setia Eco Park* in Shah Alam, *Setia EcoHill* and *Setia EcoHill 2* in Semenyih, *Setia Eco Glades* in Cyberjaya, *Setia Eco Templer* in Rawang, *KL Eco City* at Jalan Bangsar, *Aeropod* in Kota Kinabalu, *Bukit Indah*, *Setia Indah*, *Setia Tropika*, *Setia Eco Cascadia*, *Setia Business Park II*, *Setia Eco Gardens* and *Setia Sky 88* in Johor Bahru, *Setia Pearl Island*, *Setia Vista*, *Setia Pinnacle*, *Setia Sky Ville* and *Setia V Residences* in Penang and *Battersea Power Station* in London.

Construction

Revenue for the current quarter is mainly derived from the construction of the following:

- Kompleks Institut Penyelidikan Kesihatan Bersepadu (“INIH Complex”) at Setia Alam; and
- Commuter station at KL Eco City.

1. Review of Group Performance (continued)**(a) Performance of the current quarter against the same quarter in the preceding year (Q3 FY2017 vs Q3 FY2016) (continued)****Construction (continued)**

The construction profit for the above projects is not significant to the Group as they are carried out as part of a land and development right exchange arrangement. The Group derives commercial benefits substantially from the development of the land and development right so acquired.

Other Operations

Revenue from Other Operations mainly contributed by wood-based manufacturing, trading activities, and the operation of retail mall and Setia City Convention Centre. PBT achieved in the same quarter in the preceding year was mainly contributed by unrealised foreign exchange gain.

(b) Performance of the current period to-date against the same period in the preceding year (Q3 PTD 2017 vs Q3 PTD 2016)

The Group's PBT for the current period to-date of RM667.7 million is 2% higher than its PBT for the corresponding period in the preceding year (RM657.4 million). Due to the aforementioned transitional effect of many projects completed and handover in earlier period and many ongoing substantially sold developments still at early stage of construction, the Group's revenue for the current period to date is 19% lesser than the corresponding period in the preceding year.

The contribution from each business segment is set out below:

Property Development

The Group's revenue from this segment in the current period to-date of RM2,250.2 million is 21% lower than the corresponding period in the preceding year (RM2,856.2 million). As mentioned in earlier sections, the Group's revenue from property development in the current period to-date was transitionally lower as a result of many projects completed and handover in earlier period, for example, many phases in *KL Eco City* at Jalan Bangsar, *Eco Sanctuary* in Singapore and *PPAIM* in Putrajaya, last year. Whereas, many substantially sold developments were still at early stage of construction in the current quarter. This transitional effect is a result of the strategic move taken by the Group in repositioning many launches in the last financial year to address changes in market demand.

Construction

The construction profit is not significant to the Group as they are carried out as part of a land and development right exchange arrangement. The Group derives commercial benefits substantially from the development of the land and development right so acquired.

Other Operations

Revenue from Other Operations mainly contributed by wood-based manufacturing, trading activities, and the operation of retail mall and Setia City Convention Centre. PBT achieved in the same period in the preceding year was mainly contributed by unrealised foreign exchange gain.

2. Material changes in the Quarterly Results compared to the results of the Preceding Quarter

The Group achieved approximately 68% higher PBT for the current quarter, at RM309.4 million, as compared to the results of the preceding second quarter ended 30 June 2017. The stronger performance was attributed largely to the substantial staggered completion of Phase 1 of *Battersea Power Station* achieved in the current quarter.

3. Prospects for the Current Financial Year

For the nine months ended 30 September 2017, the Group achieved sales of RM2.82 billion where the local projects contributed RM1.66 billion or 59% of the total sales while international projects contributed RM1.16 billion or 41% of the total sales. On the local front, the sales secured were largely from Central region with RM1.17 billion whereas Southern and Northern regions combined, contributed RM495.6 million of sales. As for the international projects, Sapphire By The Gardens in Melbourne continued to outperform with a strong take-up rate of 83% amounting to RM871.7 million after only less than four months since the date of launch. Over at United Kingdom, Battersea Power Station contributed an effective share of RM149.2 million whereas projects in Singapore and Vietnam contributed RM89.4 million of sales. Notwithstanding the total sales achieved are within expectation, the local market remains subdued and the underlying demand is only strong for selective products and locations. However, the demand in international markets has picked up, demonstrated by the higher current nine months sales which exceeded last year's twelve months sales. Overall, the Group foresees a stronger contribution from its international projects for FY2017.

October 2017 was a major milestone for the Group as the entire Battersea Power Station Phase 1 comprising 12 blocks or 865 units were completed. Currently, more than 400 proud residents and tenants have already moved into one of Europe's largest building sites. After more than 30 years of being a relic, the footfall visibility has started to transform the Battersea Power Station site into a trendy and upscale address for residents, locals and tourists alike to enjoy a unique blend of restaurants, shops, parks and cultural spaces. The constructions of Phase 2 and Phase 3a are on-going and are on target to be completed in year 2020 and 2021 respectively. As for the Northern Line Extension ("NLE"), the tunnelling is progressing well and the excavation of the station and crossover box are also progressing as scheduled. Upon completion, the addition of the NLE is expected to further enhance the placemaking components and economically benefit the commercial activities in Battersea Power Station.

Moving forward into the remaining months of FY2017, the Group will focus more on the launches of mid-range landed properties in the Klang Valley. In view of prevailing market sentiment, the Group is strategically repositioning the launch of its condominium project such as Setia Sky Seputeh (Tower B) and bringing forward the launches of more mid-priced range landed properties. In the fourth quarter of FY2017, the Group plans to launch projects with a combined GDV of RM2.03 billion and the notable launches are in Setia Alam, Setia EcoHill, Setia Eco Templer and KL Eco City. The Group remains resilient with its diversified range of new launches and the strategy is to launch more of the landed properties in the Group's flagship townships where the underlying demand by owner occupiers are still favourable.

On 22 June 2017, the Group entered into a Conditional Share Purchase Agreement to acquire I&P Group Sdn Berhad ("I&P Group") for RM3.65 billion and in conjunction with the Proposed I&P Acquisition, the Group has also proposed a fund raising exercise to raise up to RM3.60 billion ("Proposed Fund Raising"). Approval will be sought from the shareholders of the Group in an Extraordinary General Meeting ("EGM") scheduled on 16 November 2017. The Proposed I&P Acquisition is expected to be completed in the fourth quarter of FY2017 and upon completion, I&P Group will become a wholly-owned subsidiary of the Group where the land banks of the enlarged Group will increase by 4,276 acres to 9,660 acres, making the Group, Malaysia's third largest property developer in terms of land banks size. In addition, the enlarged Group will also have further options to firmly roll out more products to meet market demand.

S P SETIA BERHAD

(Company No: 19698-X)
(Incorporated in Malaysia)

14

3. Prospects for the Current Financial Year (continued)

The Group's prospects for the rest of the year remain positive with total unbilled sales of RM7.05 billion, anchored by 31 ongoing projects and effective remaining land banks of 5,384 acres with a GDV of RM79.82 billion (excluding I&P's) as at 30 September 2017. Given the planned pipeline of launches, the sustained momentum and the strong sales achieved to-date, the Group remains positive on achieving the sales target of RM4.00 billion for the current financial year.

4. Variance of Actual Profit from Forecast Profit

Not applicable as no profit forecast was published.

5. Income Tax

Income Tax comprises:-

	3 MONTHS ENDED		9 MONTHS ENDED	
	30 Sep 2017	30 Sep 2016	30 Sep 2017	30 Sep 2016
	RM'000	RM'000	RM'000	RM'000
Taxation				
- current taxation	59,163	70,452	147,238	197,135
- under provision in prior years	2,056	26,761	2,056	26,761
Deferred taxation	(31,098)	9,481	(35,283)	(3,069)
	<u>30,121</u>	<u>106,694</u>	<u>114,011</u>	<u>220,827</u>

The Group's effective tax rate (excluding share of results of associated companies and jointly controlled entities) for the current quarter is lower than the statutory tax rate mainly due to net impact from the reversal of deferred tax liabilities as well as recognition of unabsorbed tax losses and deductible timing differences as deferred tax assets.

6. Status of Corporate Proposals

(a) The following status of corporate proposals that has been announced by the Company which has not completed as at 2 November 2017, the latest practicable date which shall not be earlier than 7 days from the date of this announcement:

(i) On 14 April 2017, S P Setia, vide its wholly-owned subsidiary, KL East Sdn Bhd (“KL East”), entered into the following agreements with Seriemas Development Sdn Bhd (“Seriemas”):

- a) a conditional sale and purchase agreement (“Bangi SPA”) to acquire a piece of freehold land measuring approximately 342.5 acres (or 14,919,300 square feet) located in Bangi, Selangor (“Bangi Land”) for a cash consideration of RM447.5 million (“Bangi Purchase Consideration”) or RM30.00 per square foot (“psf”) of the Bangi Land (“Proposed Bangi Acquisition”); and
- b) a conditional profit sharing agreement (“PSA”) in relation to the profit sharing of 20% of the audited PBT from the development on the Bangi Land consisting of sale of units and/or land parcels, subject to a maximum RM44.8 million calculated at the rate of RM3.00 psf of the Bangi Land with Seriemas (“Proposed Profit Share”).

(both the Proposed Bangi Acquisition and the Proposed Profit Share are collectively referred to as the “Bangi Proposal”).

The Bangi SPA and PSA are conditional upon KL East having carried out:

- a) the due diligence studies on Bangi Land (which has been completed);
- b) Seriemas having submitted and obtained the development order & layout approval (which the application for the development order and layout approval has been submitted and pending approval);
- c) approvals being obtained from the Estate Land Board of Selangor (vide its letter dated 8 August 2017);
- d) the Economic Planning Unit of the Prime Minister’s Department of Malaysia (vide its letter dated 25 September 2017); and
- e) shareholders of S P Setia at an EGM to be convened on 16 November 2017.

A payment of RM44.8 million, being 10% of the Bangi Purchase Consideration has been paid thus far; and

(ii) On 14 April 2017, S P Setia entered into a non-binding Memorandum of Intent (“MOI”) with Permodalan Nasional Berhad (“PNB”) and Amanahraya Trustees Berhad (as trustee for Amanah Saham Bumiputera) (“ATR-ASB”) to commence negotiations on a proposed acquisition by S P Setia of the entire equity interest of I&P Group Sdn Berhad and its group of companies (“I&P Group”) (“Proposed I&P Acquisition”).

Further to the MOI, S P Setia had on 22 June 2017 entered into a conditional share purchase agreement with PNB, ATR-ASB and Dato’ Mohd. Nizam bin Zainordin (“Dato’ Nizam”) (collectively, “I&P Vendors”) for the Proposed I&P Acquisition (“SPA”) for a cash consideration of RM3.65 billion (“I&P Purchase Consideration”).

6. Status of Corporate Proposals (continued)

In conjunction with the Proposed I&P Acquisition, S P Setia is also proposing to undertake equity fund raising proposals comprising the following:

- a) proposed renounceable rights issue of new ordinary shares in S P Setia (“S P Setia Shares”) (“Rights Shares”) to raise gross proceeds of up to RM1.2 billion (“Proposed Rights Issue of Shares”);
- b) proposed renounceable rights issue of new class B Islamic redeemable convertible preference shares in S P Setia (“RCPS-i B”) to raise gross proceeds of up to RM1.2 billion (“Proposed Rights Issue of RCPS-i B”);
- c) proposed placement of new S P Setia Shares to investors to be identified to raise gross proceeds of up to RM1.2 billion; and
- d) proposed amendments to the constitution of S P Setia.

(collectively to be referred to as the “I&P Proposal”)

On 16 October 2017, S P Setia entered into a supplemental agreement with the I&P Vendors to amend and vary certain terms of the SPA (“Supplemental SPA”) (“Variations”) and resolved to waive the condition precedent under the SPA in relation to the listing of the Rights Shares and RCPS-i B on the Main Market of Bursa Malaysia Securities Berhad (“Listing Condition”) (“Waiver”).

The I&P Proposal is subject to the approvals have been/being obtained from the following:

- a) shareholders of S P Setia at an EGM to be convened on 16 November 2017; and
- b) Economic Planning Unit of the Prime Minister’s Department of Malaysia (vide its letter dated 27 October 2017).

In addition, the Proposed Rights Issue of RCPS-i B is further subject to the approvals have been/being obtained from the:

- a) Shariah Advisory Council of the Securities Commission, on the structure of the RCPS-i B (vide its letter dated 24 July 2017);
- b) holders of RCPS-i A, at a class meeting to be convened on 16 November 2017; and
- c) Bank Negara Malaysia for the issuance of the RCPS-i B to non-resident shareholders of the Company (vide its letter dated 8 September 2017).

A payment of 5% of the I&P Purchase Consideration has been satisfied and is made up of the following:

- a) RM73.0 million (in the form of bank guarantee in lieu of payment) being deposited to the I&P Vendors; and
- b) RM109.5 million paid to the Director General of Inland Revenue.

S P SETIA BERHAD(Company No: 19698-X)
(Incorporated in Malaysia)

17

6. Status of Corporate Proposals (continued)

- (b) The rights issue involving the issuance of 1,127,625,002 RCPS-i A raising RM1,127.63 million was completed on 6 December 2016 (“Rights Issue”). As at 30 September 2017, the status of the utilisation of proceeds raised via the Rights Issue is as follows:

Purpose	Proposed utilisation	Actual utilisation	Reallocation	Balance unutilised	Intended timeframe for utilisation from completion date
	RM’000	RM’000	RM’000	RM’000	
Existing projects and general working capital requirements	300,000	(178,552)	377*	121,825	Within 18 months
Future development projects and expansion plans	826,025	(250,460)	-	575,565	Within 36 months
Estimated expenses for the Corporate Exercise	1,600	(1,223)	(377)*	-	Within 1 month
Total	1,127,625	(430,235)	-	697,390	

* *The expenses relating to the Rights Issue include professional fees, fees payable to the relevant authorities, printing and other miscellaneous charges. The surplus of proceeds which has not been used for such expenses has been reallocated for working capital purposes.*

- (c) On 22 December 2016, S P Setia, vide its wholly-owned subsidiary, Setia Fontaines Sdn Bhd (formerly known as Setia Recreation Sdn Bhd), entered into a sale and purchase agreement (“Bertam SPA”) with CIMB Islamic Trustee Berhad (acting solely in the capacity as trustee for Boustead Plantations Berhad (“Boustead Plantations”)) in relation to the proposed acquisition of 5 adjoining parcels of freehold land measuring approximately 1,675 acres in Seberang Perai Utara for the purchase consideration of RM620.1 million (or RM8.50 per square foot) (“Bertam Purchase Consideration”) subject to the terms and conditions of the Bertam SPA (“Proposed Bertam Acquisition”).

The Proposed Bertam Acquisition has become unconditional on 3 August 2017 upon the receipt of approvals from the shareholders of Boustead Plantations on 5 April 2017, the Estate Land Board vide its letter dated 21 June 2017 and the Economic Planning Unit of the Prime Minister’s Department of Malaysia vide its letter dated 3 August 2017. The Bertam Purchase Consideration has been fully paid on 26 September 2017 and the Proposed Bertam Acquisition has been completed on the same date.

S P SETIA BERHAD

(Company No: 19698-X)
(Incorporated in Malaysia)

18

7. Group Borrowings and Debt Securities

Total group borrowings and debt securities as at 30 September 2017 were as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short Term Bank Borrowings	952,957	818,931	1,771,888
Long Term Bank Borrowings	3,382,923	1,520,757	4,903,680
Redeemable Cumulative Preference Shares	-	54,346	54,346
	<u>4,335,880</u>	<u>2,394,034</u>	<u>6,729,914</u>

Currency exposure profile of borrowings is as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Malaysian Ringgit	3,758,511	1,659,562	5,418,073
Great British Pound	-	734,472	734,472
Singapore Dollar	577,369	-	577,369
	<u>4,335,880</u>	<u>2,394,034</u>	<u>6,729,914</u>

8. Material Litigation

The Group was not engaged in any material litigation as at 2 November 2017, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report.

9. Dividends Declared

(a) The Board of Directors has recommended an interim dividend in respect of the financial year ending 31 December 2017.

- (i) Amount per share : Single tier dividend of 4 sen per share
- (ii) Previous corresponding period : Single tier dividend of 4 sen per share
- (iii) Date payable : 13 October 2017
- (iv) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at a date to be determined later.

(b) Total dividend for the current financial period to-date : Single tier dividend of 4 sen per share

The Board has determined that the DRP will apply to the interim dividend and shareholders of the Company be given an option to elect to reinvest the entire interim dividend in new ordinary share(s) pursuant to the 8th DRP.

S P SETIA BERHAD(Company No: 19698-X)
(Incorporated in Malaysia)

19

10. Earnings Per Share Attributable To Owners of The Company

The basic earnings per share has been calculated by taking the Group's profit for the period attributable to owners of the Company adjusted for the effects of RCPS-i A preferential dividends paid for the period, divided by the weighted average number of shares in issue. The weighted average number of shares in issue is calculated as follows:-

	3 MONTHS ENDED		9 MONTHS ENDED	
	30 Sep 2017	30 Sep 2016	30 Sep 2017	30 Sep 2016
	'000	'000	'000	'000
Profit for the period attributable to equity holders of the Company (RM)	253,217	134,065	494,720	383,235
RCPS-i A preferential dividends (RM)	(42,737)	-	(42,737)	-
Adjusted profit for the period attributable to equity holders of the Company (RM)	210,480	134,065	451,983	383,235
Number of ordinary shares at beginning of the period	2,855,252	2,628,505	2,853,520	2,628,356
Effect of shares issued pursuant to:				
- Exercise of ESOS	127	33	913	108
- Vesting of ESGP	7,019	8,038	2,365	2,698
- DRP	97,932	111,500	33,003	37,438
Weighted average number of ordinary shares	2,960,330	2,748,076	2,889,801	2,668,600
Basic Earnings Per Share (sen)	7.11	4.88	15.64	14.36

The diluted earnings per share has been calculated by taking the Group's profit for the period attributable to owners of the Company adjusted for the effects of RCPS-i A preferential dividends paid for the period, divided by the weighted average number of shares that would have been in issue upon full exercise of the remaining options under the LTIP granted, adjusted for the number of such shares that would have been issued at fair value, as well as full conversion of RCPS-i A at the conversion ratio of two (2) ordinary shares for seven (7) RCPS-i A, calculated as follows:

	3 MONTHS ENDED		9 MONTHS ENDED	
	30 Sep 2017	30 Sep 2016	30 Sep 2017	30 Sep 2016
	'000	'000	'000	'000
Profit for the period attributable to equity holders of the Company (RM)	253,217	134,065	494,720	383,235
RCPS-i A preferential dividends (RM)	(42,737)	-	(42,737)	-
Adjusted profit for the period attributable to equity holders of the Company (RM)	210,480	134,065	451,983	383,235
Weighted average number of ordinary shares as per Basic Earnings Per Share	2,960,330	2,748,076	2,889,801	2,668,600
Effect of potential exercise of LTIP	42,608	20,054	47,289	19,586
Effect of potential conversion of RCPS-i A	322,179	-	322,179	-
Weighted average number of ordinary shares	3,325,117	2,768,130	3,259,269	2,688,186
Diluted Earnings Per Share (sen)	6.33	4.84	13.87	14.26

S P SETIA BERHAD

(Company No: 19698-X)
(Incorporated in Malaysia)

20

11. Realised and Unrealised Profits

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:-

	30 Sep 2017	31 Dec 2016
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	3,322,657	3,375,336
- Unrealised	123,998	246,525
	<u>3,446,655</u>	<u>3,621,861</u>
Total share of retained profits/(accumulated losses) from jointly controlled entities:		
- Realised	35,132	(186,961)
- Unrealised	(406)	(2,363)
	<u>34,726</u>	<u>(189,324)</u>
Total share of (accumulated losses)/retained profits from associated companies:		
- Realised	(12,369)	8,498
- Unrealised	-	1
	<u>(12,369)</u>	<u>8,499</u>
Less: Consolidation adjustments	(755,671)	(722,845)
Total Group retained profits as per consolidated accounts	<u>2,713,341</u>	<u>2,718,191</u>

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

S P SETIA BERHAD

(Company No: 19698-X)
(Incorporated in Malaysia)

21

12. Notes to the Statement of Comprehensive Income

Notes to the Statement of Comprehensive Income comprises:-

	3 MONTHS ENDED 30 Sep 2017 RM'000	9 MONTHS ENDED 30 Sep 2017 RM'000
Interest income	25,248	88,618
Other income including investment income	29,522	63,923
Interest expense	(36,691)	(101,516)
Depreciation and amortisation	(6,971)	(20,505)
Provision for and write off of receivables	(364)	(364)
Provision for and write off of inventories	-	-
Net gain on disposal of quoted or unquoted investments or properties	8	84
Impairment of assets	(1)	(456)
Net foreign exchange loss	(10,397)	(22,419)
Gain or loss on derivatives	-	-
Exceptional items	-	-

13. Auditors' Report on Preceding Annual Financial Statements

The preceding audited financial statements for the financial year ended 31 December 2016 was unqualified.